C8410-1

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY JULY 1985 $5.00

1985 Almanac & Directory

MMMD20814 1285 3 07 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4420 E-W HWY/#800
BETHESDA MD 20814

Military Market serving the military retail system

JULY 1985/VOLUME 36/NO. 7
Army Times Publishing Company
A Division of The Times Journal Company

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MILITARY MARKET, (USPS 911-992)
Military Market is published 12 times a year by the Army Times Publishing Co., a division of The Times Journal Co., Springfield, VA 22159-0210. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addressees outside the U.S., $25. Second class postage paid at Springfield, VA, and additional mailing offices. POSTMASTER: Send address correction to Military Market Magazine, Springfield, VA 22159-0210.

Military Market survey

Commissary Salvage:
Pick It Up, " . . . or Else"

THE OLD SAYING goes that sometimes a story has three sides — yours, mine, and the truth. For a survey we ran this past February, MILITARY MARKET asked commissary officers about salvage, and found that they considered it to be a relatively insignificant problem in their stores. It was, said one, "a matter of piddling pennies."

But frequent complaints from vendors led us to suspect that there was another side to the story. So for this month's survey, MILITARY MARKET queried military brokers to get their perspective on salvage.

As might be suspected, the brokers' viewpoint is decidedly different from that of most commissary officers. The 16 brokers who responded to our questionnaire told MILITARY MARKET that salvage is not only a *significant* problem, but also a peculiarly *military* problem. Fourteen of the 16 respondents said that salvage is a greater problem in commissaries than in civilian grocery stores — a *much* greater problem. Half of the 14 brokers penciled in the word "much" in front of our answer of simply "greater." Brokers view the salvage situation in the military as inconsistent with civilian grocery practices.

One broker suggested that commissaries should handle their own spoilage problems, saying, "You won't find any retail forces going into the Safeway to pick up spoils."

According to the brokers, salvage is a problem which knows no season. Eight respondents said it is a perennial problem, while several pointed out that salvage seems to increase during the holiday season and major sales events.

Brokers pinpoint employee negligence and transportation damage as the major causes of excessive salvage in the military. By a wide margin (13 out of 16), respondents finger AFCOMS as the leading culprit for the abuse of salvage.

By contrast, NAVRESSO and the Marines were cited as the least likely systems to abuse salvage returns, and enjoying the most respect from brokers for their handling of commissary salvage.

Fourteen of 16 brokers felt that the systems' current policies concerning salvage are unfair. Asked one rhetorically, "When was the last time you paid a bill from a piece of paper, and received no goods or no service?"

Brokers generally felt that once the goods are accepted by the commissaries, salvage should become the commissaries' problem — not the manufacturers. "When the damage occurs through employee neglect or equipment failure, a lot of the salvage is written up as damaged goods. That's abuse."

One broker likened the services' salvage policy to blackmail, saying, "It's like they're telling us you have to pick up your salvage or else . . . or else your product line may mysteriously disappear in the morning."

Another said that a base he regularly calls on makes vendors pick up a product that is a slow seller. "If the vendors don't — or won't — do this, the store writes it up as salvage. Salvage is being used as a way to get rid of slow-moving lines, and that's just not right."

Brokers also object to what they perceive as a lack of professionalism on the part of many commissary employees. "Since we are obligated to pick up all *damaged* merchandise, commissary employees don't seem to care how much they damage. It's no sweat off their backs."

Half of the 16 respondents said they make donations to food banks. A majority (13) said they believe even more food could be donated than is presently being offered.

Many of the brokers stopped just short of saying that commissary officers deliberately abuse manufacturers' returns to hide their operational inefficiencies. Nine respondents said that this was the case, however. Said one, "In most cases, our salespeople do not even see the damaged merchandise — they are simply given a list to pay for. This is not right and is probably ripe for abuse by these people."

Another pointed out that abuse seems to be directly related to the management in charge of the store or complex. "Stores with good management seem to have little or no abuse. Stores with poor managers are the biggest abusers." MM

1. WHEN IS SALVAGE THE BIGGEST PROBLEM FOR YOU? Holidays — 5. During major sales events — 1. Heat waves — 0. Inventory time — 2. All the time — 8.

2. IN WHICH CATEGORY IS SALVAGE THE BIGGEST PROBLEM? (Multiple responses possible) Canned — 7. Frozen foods — 4. Boxed goods — 6. Other — 0. No particular area — 3.

3. WHAT DO YOU THINK IS THE MAJOR CAUSE OF DAMAGES WHICH CAUSE SALVAGE? Mishandling by vendor stockers — 1. Store employees — 13. Transportation damage — 2.

4. HOW DOES THE AMOUNT OF COMMISSARY SALVAGE COMPARE WITH CIVILIAN STORES? Greater — 14. Less — 1. The same — 1. Don't know — 0.

5. WHICH OF THE COMMISSARY SYSTEMS ABUSES SALVAGE RETURNS THE MOST? AFCOMS — 13. Marine — 0. Navy — 0. TSA — 3.

6. WHICH OF THE COMMISSARY SYSTEMS ABUSES SALVAGE RETURNS THE LEAST? AFCOMS — 0. Marine — 4. Navy — 12. TSA — 0.

7. DO YOU THINK THE SERVICES' SALVAGE POLICIES ARE FAIR AND EFFECTIVE? Yes — 1. No — 14. Don't know — 1. **WHY OR WHY NOT?** (See story)

8. HOW DO YOU THINK THE SITUATION COULD BE IMPROVED? (See story)

9. DO YOU DONATE SALVAGE TO FOOD BANKS? Yes — 8. No — 7. Don't know — 1.

IF YOU MAKE DONATIONS, HOW MANY DOLLARS WORTH DOES YOUR COMPANY DONATE PER MONTH? There were no responses to this question.

10. DO YOU THINK MORE COULD BE DONATED THAN IS DONE CURRENTLY? Yes — 13. No — 1. Don't know — 2.

11. DO YOU THINK COMMISSARY OFFICERS ABUSE MANUFACTURERS' RETURNS TO HIDE OPERATIONAL INEFFICIENCIES. Yes — 9. No — 3. Don't know — 4.

Military Market

1985 1985 1985 1985

The Almanac

26th Annual

THE MARKET

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The Market

The resale systems' potential customer pool as of March 1985 was made up of more than 12 million active duty, retired and reservist military personnel and their dependents. More than half of all active duty personnel are 25 years old or younger, while nearly 37 percent of military customers are retirees or their dependents.

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	41,847
Enlisted	392,412
Total	**434,259**
ARMY RESERVE	
Officers	52,874
Enlisted	222,188
Total	**275,062**
NAVAL RESERVE	
Officers	22,371
Enlisted	98,187
Total	**120,558**
MARINE CORPS RESERVE	
Officers	3,175
Enlisted	37,444
Total	**40,619**
AIR NATIONAL GUARD	
Officers	12,834
Enlisted	92,178
Total	**105,012**
AIR FORCE RESERVE	
Officers	14,978
Enlisted	55,340
Total	**70,318**
DoD RESERVES (Total)	
Officers	148,079
Enlisted	897,749
Total	**1,045,828**
COAST GUARD RESERVE*	
Officers	1,510
Enlisted	10,847
Total	**12,357**
TOTAL (All Services)	
Officers	149,589
Enlisted	908,596
Total	**1,058,185**

As of Sept. 30, 1984.
*The Coast Guard is part of the Department of Transportation.
SOURCE: DoD & Department of Transportation.

POPULATION OF THE MILITARY COMMUNITY

Active Duty		
Active Duty Military	2,186,316	18.1%
Spouses of Active Duty Military	1,185,222	9.8%
Other Dependents of Active Duty	1,668,160	13.8%
Total	**5,039,698**	**41.7%**
Retirees		
Retired Military	1,432,593	11.9%
Spouses of Retired Military	1,260,100	10.4%
Other Dependents of Retirees	1,742,000	14.4%
Total	**4,434,693**	**36.7%**
Reservists*		
Reservists in Paid Status	1,103,696	9.2%
Spouses of Reservists	694,114	5.8%
Children of Reservists	798,650	6.6%
Total	**2,596,460**	**21.6%**
Grand Total	**12,070,851**	**100.0%**

*Does not include approximately 12,000 Coast Guard reservists
As of March 31, 1985
SOURCE: Personnel Budget for FY 1985.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

	MEN	WOMEN	ALL
UNDER 21 YEARS	19.1%	17.8%	19.0%
21 - 25 YEARS	34.4%	43.3%	35.3%
26 - 29 YEARS	16.0%	20.6%	16.4%
30 - 35 YEARS	15.8%	14.1%	15.6%
36 - 39 YEARS	8.1%	2.8%	7.6%
40 YEARS AND OVER	6.6%	1.4%	6.1%

As of Sept. 30, 1984.
Does not include Coast Guard.
SOURCE: DoD Information Operations & Reports and the Pentagon.

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

Age Group	Number	Percent
Under 5 years of age	470,515	28.2
5-9 years	637,130	38.2
10-14 years	343,663	20.6
15-17 years	138,400	8.3
18-20 years	78,452	4.7
Total Dependent Children	1,668,160	100.0

Total dependent children: 1,668,160.
As of March 31, 1985.
Includes Coast Guard.
SOURCE: DoD & Department of Transportation.

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Age Group	Number	Percent
Under 20 years of age	130,410	11.0
20-24 years	414,798	35.0
25-29 years	243,003	20.5
30-34 years	222,851	18.8
35-39 years	124,440	10.5
40 years & over	49,720	4.2
Total Wives of Active Duty Military	1,185,222	100.0

Total wives of active duty personnel: 1,185,222.
As of March 31, 1985.
Includes DoD & Coast Guard.
SOURCE: DoD & Department of Transportation.

Women made up 9.4 percent of the forces. Blacks, Hispanics and other minorities accounted for 27 percent. About 46 percent of all military wives were 24 years old or younger, while two-thirds of military children were less than 10 years old.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

	NUMBER	PERCENT
CAUCASIAN	1,551,911	73.0%
BLACK	410,688	19.3%
HISPANIC	76,988	3.6%
OTHER	87,139	4.1%

Total active duty: 2,126,726
As of March 31, 1984
SOURCE: Department of Defense.
Does not include Coast Guard.

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	CY 1984	CY 1983	CY 1982	CY 1981	CY 1980
Total Active Duty	2,176,628	2,123,349	2,108,612	2,122,320	2,088,647
Percent Male	90.6%	90.7%	91.0%	91.2%	91.7%
Percent Female	9.4%	9.3%	9.0%	8.8%	8.3%

As of Sept. 30, 1985.
SOURCE: DoD & Department of Transportation.

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ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O-7—O-10	394	2	249	2	65	0	334	3
O-6	4,692	91	3,616	93	618	9	5,425	81
O-5	10,451	320	7,303	323	1,624	29	12,196	352
O-4	15,721	1,192	11,681	1,174	2,988	63	18,458	1,062
O-3	30,470	4,302	18,675	2,573	5,892	190	34,299	5,312
O-2	10,337	1,912	9,411	1,173	4,181	190	12,259	2,141
O-1	10,432	2,168	8,307	1,194	2,973	133	12,032	2,283
WARRANT OFFICERS	15,156	243	3,061	21	1,377	34	0	0
TOTAL OFFICERS	97,653	10,230	62,303	6,553	19,718	648	95,005	11,234
ENLISTEDS								
E-9	4,164	18	4,014	11	1,251	11	4,828	14
E-8	15,497	150	8,757	44	3,697	35	9,627	36
E-7	49,292	1,265	30,235	478	9,045	132	36,127	392
E-6	81,959	4,897	69,816	3,171	14,921	513	53,774	2,487
E-5	105,178	13,314	89,272	9,147	23,442	1,626	95,157	13,702
E-4	158,471	25,190	92,639	11,659	29,725	2,228	85,976	16,782
E-3	88,737	10,123	87,381	11,592	45,414	2,234	108,539	16,113
E-2	46,690	5,239	34,100	3,266	24,638	1,196	19,079	2,942
E-1	51,107	6,420	32,816	2,890	15,138	602	17,968	2,867
TOTAL ENLISTEDS	601,095	66,616	449,030	42,258	167,271	8,577	431,075	55,335
CADETS & MIDSHIPMEN	4,076	510	4,172	322	0	0	3,929	547
GRAND TOTAL	702,824	77,356	515,505	49,133	186,989	9,225	530,009	67,116

	COAST GUARD		TOTAL DoD			TOTAL ALL SERVICES		
	Male	Female	Male	Female	Total	Male	Female	Total
OFFICERS								
O-7—O-10	27	0	1,042	7	1,049	1,069	7	1,076
O-6	346	0	14,351	274	14,625	14,697	274	14,971
O-5	649	0	31,576	1,024	32,600	32,225	1,024	33,249
O-4	958	11	48,848	3,491	52,339	49,806	3,502	53,308
O-3	1,501	41	89,336	12,377	101,713	90,837	12,418	103,255
O-2	976	93	36,188	5,416	41,604	37,164	5,509	42,673
O-1	523	34	33,744	5,778	39,522	34,267	5,812	40,079
WARRANT OFFICERS	1,468	2	19,594	298	19,892	21,062	300	21,362
TOTAL OFFICERS	6,448	181	274,679	28,665	303,344	281,127	28,846	309,973
ENLISTEDS								
E-9	319	0	14,257	54	14,311	14,576	54	14,630
E-8	511	1	37,578	265	37,843	38,089	266	38,355
E-7	2,714	14	124,699	2,267	126,966	127,413	2,281	129,694
E-6	5,123	154	220,470	11,068	231,538	225,593	11,222	236,815
E-5	4,880	390	313,049	37,789	350,838	317,929	38,179	356,108
E-4	6,778	556	366,811	55,859	422,670	373,589	56,415	430,004
E-3	4,741	592	330,071	40,062	370,133	334,812	40,654	375,466
E-2	3,384	562	124,507	12,643	137,150	127,891	13,205	141,096
E-1	155	192	117,029	12,779	129,808	117,184	12,971	130,155
TOTAL ENLISTEDS	28,605	2,461	1,648,471	172,786	1,821,257	1,677,076	175,247	1,852,323
CADETS & MIDSHIPMEN	672	104	12,177	1,379	13,556	12,849	1,483	14,332
GRAND TOTAL	35,725	2,746	1,935,327	202,830	2,138,157	1,971,052	205,576	2,176,628

As of Sept. 30, 1984. SOURCE: DoD & Department of Transportation.

Compensation

INCOME OF THE MILITARY COMMUNITY 1985

Active Duty Military, Total	**$66.5 billion**
Military Pay, Allowances, benefits	59.1 billion
"Moonlighting" & working spouses income	7.4 billion
Retired Military, Total	**$50.5 billion**
Pensions	18.3 billion
2nd Career Jobs	23.9 billion
Working Spouses' Income	8.3 billion
Reservists in Paid Status, Total	**$31.1 billion**
Employment Income	21.2 billion
Working Spouses' Income	5.7 billion
Reserve Training Pay	4.2 billion
Total Income of Military Community	**$148.1 billion**

SOURCE: DoD Personnel Budget for FY 1985 and Department of Commerce figures on non-government income of military families.

AVERAGE MILITARY COMPENSATION FOR THE LAST EIGHT YEARS

FY 1978	$15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915

SOURCE: DoD Military Personnel Budget for the years shown

1985 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average Military Compensation	**$26,915***
Regular Military Compensation	18,940
Basic Pay	13,673
Basic Allowance for Quarters	1,738
Variable Housing Allowance	445
Station Allowance Overseas	212
Subsistence Allowance & Costs	1,536
Federal Income Tax Advantage	1,336
Special Pays & Consumption Advantage	$7,975
Special Allowance	467
Special and Incentive Pays, Bonuses	754
Commissary and Exchange Savings	896
Free/Reduced Cost Medical, Dental Care	1,707
Retirement Credit, Current Years' Service	3,246
Social Security Payments (Government Contributions)	905

*Annual rate, including value of fringe benefits and consumption advantage
SOURCE: DoD Personnel Budget for FY 1984

The average annual compensation for active duty military rose 3.9 percent to $26,915. At the same time, all-sources income for the retail systems' pool of potential customers rose 5.2 percent to $148.1 billion.

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Exchanges

CY1984 MILITARY EXCHANGE SALES BY DEPARTMENT

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Tobacco Products, Inc. Vending	281,516,228	8.2	97,734,009	5.3	379,250,237	7.2
Automotive	83,083,517	2.4	34,990,612	1.9	118,074,129	2.2
Military Uniforms	222,780,341	6.5	80,952,505	4.4	303,732,846	5.8
Food & Juices	246,170,073	7.1	110,649,427	6.0	356,819,500	6.8
Beer & Sodas	176,549,681	5.1	78,710,831	4.3	255,260,512	4.8
Health & Beauty Aids	202,320,579	5.9	83,663,918	4.6	285,984,497	5.4
Cosmetics & Fragrances	77,888,929	2.3	26,157,398	1.4	104,046,327	2.0
Jewelry	87,496,295	2.5	39,990,443	2.2	127,486,738	2.4
Watches	40,380,337	1.2	16,906,936	0.9	57,287,273	1.1
Stationery, Books, etc.	178,105,359	5.2	69,815,714	3.8	247,921,073	4.7
Men's Outerwear	88,116,255	2.6	37,747,953	2.1	125,864,208	2.4
Men's Furnishings	155,497,362	4.5	60,724,319	3.3	216,221,681	4.1
Women's Outerwear	116,885,426	3.4	48,622,874	2.7	165,508,300	3.1
Women's Furnishings	88,843,711	2.6	31,538,872	1.7	120,382,583	2.3
Boyswear	43,085,140	1.2	17,675,060	1.0	60,760,200	1.2
Girlswear	34,363,445	1.0	15,007,570	0.8	49,371,015	0.9
Infants' & Toddlers' Wear	50,850,069	1.5	21,920,156	1.2	72,770,225	1.4
Footwear	130,834,647	3.8	51,159,755	2.8	181,994,402	3.4
Linens & Domestics	71,980,066	2.1	30,962,296	1.7	102,942,362	1.9
Yardage & Sewing Notions	25,056,451	0.7	12,558,754	0.7	37,615,205	0.7
Dinnerware & Flatware	23,889,751	0.7	10,407,788	0.6	34,297,539	0.6
Kitchenware	47,742,718	1.4	19,006,029	1.0	66,748,747	1.3
Giftware	52,328,591	1.5	25,943,291	1.4	78,271,882	1.5
Cleaning Supplies	48,969,669	1.4	19,332,556	1.1	68,302,225	1.3
Traffic & Major Appliances	117,543,273	3.4	54,920,986	3.0	172,464,259	3.3
Furniture & Rugs	44,967,302	1.3	32,793,586	1.8	77,760,888	1.5
Hardware	80,567,454	2.3	27,093,346	1.5	107,660,800	2.0
Luggage	33,687,831	1.0	12,997,953	0.7	46,685,784	0.9
Garden/Patio Furniture	86,503,404	2.5	25,071,796	1.4	111,575,200	2.1
Sporting Goods	65,649,877	1.9	26,934,838	1.5	92,584,715	1.8
Photo Finishing	27,053,119	0.8	8,952,679	0.5	36,005,798	0.7
Photography & Optical	100,549,885	2.9	51,657,122	2.8	152,207,007	2.9
Toys, Games & Bicycles	74,076,667	2.1	35,644,310	1.9	109,720,977	2.1
Consumer Electronics	197,443,129	5.7	452,414,871	24.7	649,858,000	12.3
Recorded Sound & Video	49,043,256	1.4	58,507,744	3.2	107,551,000	2.0
*TOTAL RETAIL DEPARTMENTS	3,451,819,837	100.0	1,829,168,297	100.0	5,280,988,135	100.0

*Does not include income from services such as service stations, cafeterias, snack bars, beauty & barber shops, concessions and vending machines.

Domestic sales include Alaska & Hawaii.
NOTE: Because of rounding, items may not add up to totals.
SOURCE: Sales from department reports of AAFES, NAVRESSO and Veterans Administration Canteen Service. Marine Corps & Coast Guard department sales are estimated, based on NAVRESSO & AAFES percentage distributions.

A category-by-category breakdown of sales in exchanges during CY 1984.

PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE 1984

	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AAFES	$4,852.9	67.5
NAVY	1,672.3	23.2
MARINE CORPS	408.0	5.7
COAST GUARD	78.2	1.1
VCS	182.6	2.5
TOTAL	$7,194.0	100.0

SOURCE: Resale systems' headquarters.

EXCHANGE SALES BY REGION

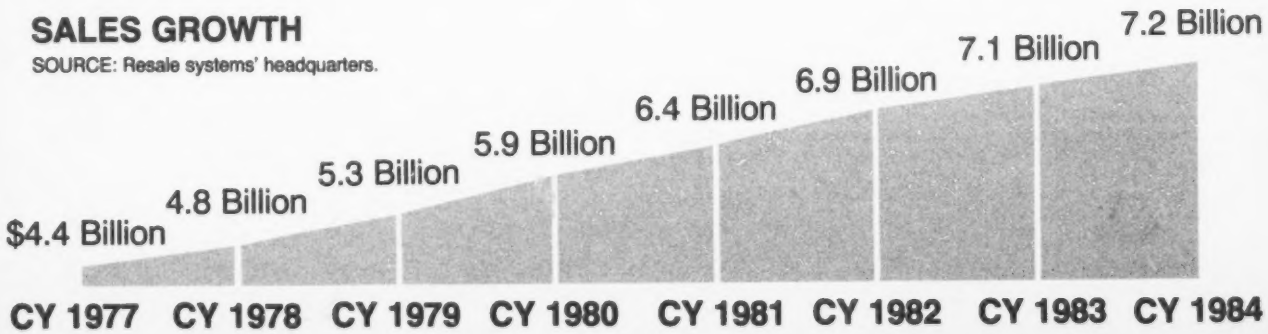
SYSTEM	DOMESTIC SALES	PERCENT OF TOTAL SALES	OVERSEAS SALES	PERCENT OF TOTAL SALES	WORLDWIDE SALES
AAFES	$2948.2	60.8	$1,904.7	39.2	$4,852.9
NAVY*	1,342.0	80.2	330.3	19.8	1,672.3
MARINE CORPS	382.7	93.8	25.3	6.2	408.0
COAST GUARD	72.8	93.1	5.4	6.9	78.2
VCS	182.6	100.0			182.6

Domestic sales include Alaska & Hawaii.
*Includes sales of ships' stores.

Total exchange sales were more than $7.1 billion in CY 1984. Domestic exchange sales accounted for 68.5 percent of total sales; overseas sales were 31.5 percent of total sales.

SALES GROWTH

SOURCE: Resale systems' headquarters.



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Commissaries

A category-by-category breakdown of sales in commissaries during CY 1984. Sales (includes 5 perent surcharge) are shown in millions and percentage share of total sales.

CATEGORY	WORLDWIDE DOLLAR SALES	WORLDWIDE PERCENTAGE	DOMESTIC DOLLAR SALES	DOMESTIC PERCENTAGE	OVERSEAS DOLLAR SALES	OVERSEAS PERCENTAGE
Fresh & Cured Meat, Poultry, & Seafood	$1,204.0	24.7%	$995.2	24.7%	$208.8	24.7%
Household Supplies	433.8	8.9%	350.4	8.7%	83.4	9.8%
Dairy Products	433.3	8.9%	362.6	9.0%	70.7	8.4%
Canned Foods	417.2	8.6%	338.3	8.4%	78.9	9.3%
Frozen Foods	368.5	7.6%	318.2	7.9%	50.3	5.9%
Tobacco Products*	295.3	6.0%	249.7	6.2%	45.6	5.4%
Baked Goods	285.2	5.8%	240.6	6.0%	44.6	5.3%
Produce	224.2	4.6%	185.3	4.6%	38.9	4.6%
Prepared Beverages	165.2	3.4%	136.9	3.4%	28.3	3.3%
Baking Needs	142.3	2.9%	116.8	2.9%	25.5	3.0%
Health & Beauty Aids	144.3	3.0%	116.8	2.9%	27.5	3.2%
Pet Foods	135.1	2.8%	106.7	2.6%	28.4	3.3%
Cereals	100.4	2.0%	76.5	1.9%	23.9	2.8%
Baby Foods	73.1	1.5%	60.4	1.5%	12.7	1.5%
Dried Fruits, Vegetables & Nuts	58.5	1.2%	48.3	1.2%	10.2	1.2%
Sauces	48.8	1.0%	40.2	1.0%	8.6	1.0%
Soft Drinks**	48.3	1.0%	40.9	1.0%	7.4	0.9%
Spreads	46.3	0.9%	38.1	0.9%	8.2	1.0%
Candy & Chewing Gum	44.4	0.9%	37.5	0.9%	6.9	0.8%
Dressings	43.5	0.9%	34.5	0.9%	9.0	1.1%
Pasta Products	34.1	0.7%	28.1	0.7%	6.0	0.7%
Desserts & Toppings	32.2	0.6%	26.4	0.7%	5.8	0.7%
Pickles, Olives & Vinegar	28.8	0.6%	23.1	0.6%	5.7	0.7%
Dietetic & Low Calorie	24.8	0.5%	20.4	0.5%	4.4	0.5%
Spices & Extracts	27.4	0.6%	22.4	0.5%	5.0	0.6%
Syrup	13.6	0.3%	12.1	0.3%	1.5	0.2%
Miscellaneous	1.8	0.1%	0.9	0.1%	0.9	0.1%
Total Departments	$4,874.4	100.0%	$4,027.3	100.0%	$847.1	100.0%

Domestic sales include Alaska & Hawaii.
NOTE: Because of rounding, items may not add up to totals.

*Tobacco products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, although Marine Corps commissaries do not stock tobacco products. However, tobacco products were sold in five Navy commissaries during 1984; these sales are not included in the totals above. When computed as a percentage of sales of just Army and Air Force stores, tobacco products are 7.7 percent of worldwide sales, 8.0 percent of domestic sales and 6.4 percent of overseas sales.

** Soft drinks are stocked in only five Navy commissaries; sales are not included in the totals above.

PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1984

SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AIR FORCE	$2,162.9	44.4%
ARMY	1,667.3	34.2
NAVY	826.8	17.0
MARINE CORPS	162.9	3.3
COAST GUARD	6.4	0.1
STATE DEPARTMENT	48.0	1.0
TOTAL	$4,874.3	100.0%

SOURCE: Resale systems' headquarters.

By year end 1984 total commissary sales had surpassed $4.8 billion. Overall, 82.6 percent of commissary sales originated in domestic outlets. Only 17.4 percent of sales were rung up in overseas commissaries.

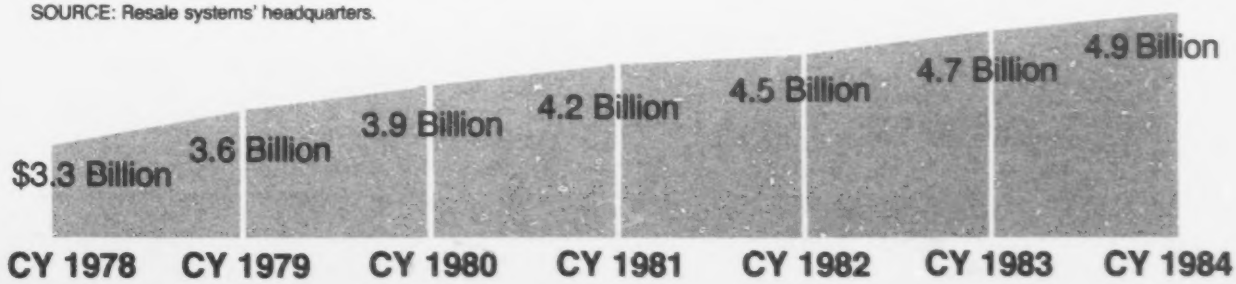
COMMISSARY SALES BY REGION

SYSTEM	DOMESTIC SALES	PERCENT OF TOTAL SALES	OVERSEAS SALES	PERCENT OF TOTAL SALES	WORLDWIDE SALES
AIR FORCE	$1,872.5	86.6	$290.4	13.4	$2,162.9
ARMY	1,249.6	74.9	417.7	25.1	1,667.3
NAVY	738.5	89.3	88.3	10.7	826.8
MARINE CORPS	160.3	98.4	2.6	1.6	162.9
COAST GUARD	6.4	100			6.4
STATE DEPARTMENT			48.0	100	48.0

Domestic sales include Alaska & Hawaii.

SALES GROWTH

SOURCE: Resale systems' headquarters.



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The Market's Retail Sales

LARGEST DEPARTMENT/ VARIETY STORE CHAINS

	1984	1983
1 - Sears	$21.7	$20.4
2 - K mart	21.1	18.6
3 - J.C. Penney	13.4	12.1
4 - Dayton-Hudson	8.0	7.0
5 - Federated Department Stores	8.0	7.2
6 - Worldwide Military Exchanges	**7.2**	**7.1**
7 - Montgomery Ward	6.5	6.0
8 - Wal-Mart	6.4	4.7
9 - Woolworth	5.7	5.4
10 - Domestic Military Exchanges	**4.9**	**4.9**

$ in billions.

SOURCE: Sales of civilian department store chains are as reported by "Annual 'Yardstick' Report: The Top 100 Chains," *Chain Store Age, General Merchandise Edition*, June 1985. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

LARGEST SUPERMARKET CHAINS

	1984	1983
1 - Safeway	$19.6	$18.6
2 - Kroger	15.9	15.2
3 - American Stores	12.1	8.0
4 - Lucky	9.2	8.4
5 - Winn-Dixie	7.3	7.0
6 - A & P	5.9	5.2
7 - Worldwide Commissaries	**4.9**	**4.7**
8 - Albertson's	4.7	4.3
9 - Supermarkets General	4.3	3.5
10 - Domestic Commissaries	**4.0**	**3.9**

$ in billions.

SOURCE: Civilian supermarket sales as reported in the May 1985 issue of *Progressive Grocer*. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.

COMBINED COMMISSARY & EXCHANGE SALES

CY 1977 $7,454 million	**CY 1981** $10,640 million
CY 1978 $8,123 million	**CY 1982** $11,354 million
CY 1979 $8,890 million	**CY 1983** $11,789 million
CY 1980 $9,863 million	**CY 1984** $12,068 million

COMMISSARIES	$4,874.4 million	40%
EXCHANGES*	$7,194.0 million	60%
TOTAL	**$12,068.4 million**	**100%**

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc.

Combined CY 1984 sales for commissaries and exchanges were more than $12 billion. Worldwide commissaries moved up to seventh place, while domestic commissaries remained in the No. 10 spot.

Worldwide military exchanges dropped to sixth place, as Dayton-Hudson moved into the top five. Domestic military exchanges fell to 10th place with Wal-Mart's entrance into the top 10.

Army & Air Force Exchange Service

ON JULY 23, 1985, the Army and Air Force Exchange Service will commemorate its 90th anniversary. A lot has happened since General Order No. 46 established military exchanges. From the horse and buggy days to the era of the MX missle and microchips, exchanges have served the customer in peace and in times of conflict. We've had a notable past but we're not looking back or standing pat.

We're well on schedule with point of sale scanning, now in 46 stores. This year, 39 more stores will be involved. The fast food franchising of Burger King restaurants on Army installations is well under way. Customer response has been phenomenal and local installations have enjoyed added income for the MWR activities.

While the staples of yesteryear's exchanges were horse blankets, snuff and bowie knives, today's AAFES is in reality 19 different businesses: automotive care, cafeterias, commodity concessions, fast foods, film processing, flower shops, laundry/dry cleaning, military clothing sales, new car sales, optical service, plant operations, personal grooming, rental services, retail stores, shoppettes, theaters, vending (amusement), and vending of products and services.

We're in each of these activities as part of our efforts to support the services' quality of life programs.

After three years of preliminary development, the major upgrading of our warehouse facilities (Project REAL) is finally under way. Land was acquired on 1 April and construction of the first facility is expected to start this fall. The 1 million square foot complex will generate $11.4 million in savings annually and will enable AAFES to better support its worldwide operation.

When I took command of AAFES in March 1982, I challenged each of our 70,000 employees to do better. They responded, as I knew they would, with increased productivity, increased sales and higher earnings. They demonstrated over and over that AAFES is a can-do organization. That's why they're the best workforce in all of DoD.

I retire at the end of this month. Army Brig. Gen. John E. Long, the new AAFES commander, will face many new challenges but I am confident that all will be met. There are still some loose ends, the major one being credit. I'm convinced the day will come when our 7 million customers will be afforded the same shopping alternative as their fellow citizens in civilian life.

1984 was "The Year of the Military Family" and AAFES, together with its sister exchange organizations and with the cooperation and support of industry, reinforced the value of the exchange benefit for the military family. It was a good year.

Maj. Gen. Richard D. Murray, USAF
Commander
Army and Air Force
Exchange Service

Air Force Commissary Service

LOOKING AHEAD IN 1985, we'll be taking some significant steps that will have far reaching effects for both AFCOMS and the military resale system. These changes and new directions will help us improve service to the world's finest families — members of our military community.

We intend to renew our growth in sales in the coming year by offering extended store hours to our patrons in our more crowded stores and by having Wee Servs available or adding a sixth operating day. Extra late nights and cash-only express lanes should also help in this area. Of course, some of these initiatives depend upon availability of additional funds in FY86.

Scanning is in! By July, scanning should be implemented at nine of our stores. Twenty more stores are scheduled to come on line by year's end and 56 additional stores in 1986. Scanning is important, but the data we'll get from the backroom computers is even more important for inventory management, ordering and receiving.

Our Automated Commissary Operation System (ACOS) will be implemented at the Lackland AFB commissary in October 1985. The remaining lead stores in our regions will follow with the new management information system from January to June 1986. Many more of our manual processes will be automated and those already automated will be vastly improved. We're excited about the benefits of scanning and ACOS.

Five new stores will open in FY 1985 and we're planning 11 more in 1986. The new stores feature detached front-ends, contiguous warehouses, efficient meat and produce preparation rooms and wider aisles. Efficient new designs not only improve service to our patrons but also increase sales.

I'm convinced the reorganization of our 15 CONUS complexes into eight region offices is going to help us all.

First, it's going to generate more resources so we can stay open longer. We'll get more people where we need them — in the stores serving the patrons. The reorganization will move about 150 people from complex offices into the stores.

The eight new regions will be operational by August 1. The Pacific Region's move to Hickam AFB, Hawaii, will also be completed by then. This functional move will give us better support for our stores in Korea, Japan, Guam and the Philippines.

With the reorganization, commissary officers will also have more responsibility to make things happen at the local level. I'm a strong believer that the action is at the base and in the local store. They don't need higher headquarters getting in the way — and we won't.

The frequent delivery program we've been testing is continuing at Eglin, Andrews and Langley AFBs. We've had some problems, but with the implementation of scanning and

ACOS, we'll be able to work these bugs out and accurately measure the test results. They should be very beneficial to AFCOMS and to our vendors and distributors.

Since the start of overseas lot pricing, our men and women stationed overseas have begun to get the price breaks they deserve. It's no secret we weren't happy with the burden the old pricing system was placing on our patrons. We'll keep pushing until we're sure the system can continue to do the job it's supposed to — save our customers money.

We've already changed our policy on damaged merchandise. We're going to sell what we can at reduced prices; we're going to give away what we can to food banks, and throw the rest away. We're trying to end the practice of vendors paying us for containers damaged in the commissary. We'll save money and time because we're not going to be keeping track of all those little pieces of paper.

As in all things, our goal is efficiency. We want to provide the patron with the best merchandise, at the lowest prices, in convenient, comfortable stores. By doing this at the lowest possible cost to the taxpayer, we'll be doing our job right and helping to ensure commissaries continue.

There are some other things we demand of ourselves and expect customers to demand of us — well-trained and knowledgeable store management, for instance. Our patrons deserve the best, that's why we're developing an ambitious training program to ensure a flow of qualified people to fill our management positions. In this time of austere funding and limited resources, we must seek ways to increase the productivity of our work force, which in turn will increase the service to our patrons.

This service includes finding a clean commissary every time a patron walks through the doors. Shoppers' attitudes toward the merchandise and the people who work there is influenced by the overall cleanliness of the store. To be a first-class operation, we've got to look and act like one.

While exploring every conceivable avenue to improve our resale operation, we're also placing more emphasis on our primary mission — troop support.

To that end, we're constructing an emergency operations center that will provide the communications hub to control resources and meet our wartime responsibilities. That means getting food to our troops in the dining hall or on the battlefield.

I'm sure that 1985 will see even more cooperation between ourselves, vendors and distributors. Only by working together can we provide our customers with the service and the savings they deserve.

Maj. Gen. M. Gary Alkire, USAF
Commander
Air Force Commissary Service

Veterans Canteen Service

THE VETERANS CANTEEN Service is a non-appropriated operating component of the Veterans Administration's Department of Medicine and Surgery.

Its primary purpose is to make available at reasonable prices to veterans in VA health care facilities articles of merchandise and services essential to their comfort and well being. The VCS also makes available, at reasonable prices, food services to VA medical center employees, volunteers and visitors, as well as patients.

The VCS consists of a central office located in Washington, D.C.; three regional field offices, located in Somerville, N.J., Atlanta, Ga., and Denver, Colo.; a finance center located in St. Louis, Mo.; and 172 field units, called "canteens," located in VA medical centers throughout the United States and in the Commonwealth of Puerto Rico.

Each canteen contains a retail store, cafeteria, one or more vending areas, and may include a barber shop, beauty shop, and offer dry cleaning, photofinishing and other services. The VCS operates on a self-sustaining basis.

Originally, just under $5,000,000 was appropriated by Congress to activate this service. Since that time (1946), the VCS has paid more than double that amount (through FY 1982) to the U.S. Treasury, and approximately 11 times that amount to the VA for rent, utilities and other services. The service operates as a commercial enterprise on a revolving fund basis, annually budgeting to net only as much income as will be necessary to maintain current operations and needs for the ensuing fiscal year.

Canteens are planned in size, staff, and with equipment, fixturing and merchandise to meet the particular needs of patients at each VA medical center. Patient mix (i.e. general medicine, surgical, psychiatric, spinal cord injury, nursing care, domiciliary, etc.) has a strong influence on the canteen design layout, staffing and merchandise mix. Although the degree of service may vary, the pattern of services remains uniform.

Total sales for FY 1984 were $182,564,789. These figures represent retail sales of $104,069,946; food sales of $73,860,316; and service sales of $4,634,527. Total sales for the first half of FY 1985 were $92,674,681. This represents retail sales of $53,040,433; food sales of $37,440,812; and services sales of $2,193,436.

VCS's central office is responsible for developing policies, plans and procedures for the establishment, management and operation of the canteens, and the issuance of policies and procedural instructions to the field offices, finance centers and canteens.

Service management is headed by a director whose principal assistant is a deputy director. The deputy is responsible for all merchandising, facilities development, remodeling and activation, all activities supporting operations, and, through the field directors, for the operation of the system of canteens.

The VCS finance center, located in St. Louis, Mo., is headed by a center director who administers all financial manual and ADP operational support activities. Also located in St. Louis is the VCS audit staff, which reports directly to the service director and performs regular financial audits and vulnerability assessments of the canteens, field offices and the finance center.

Each field office is responsible for the administration of VCS activities within its region, for program management, quality assurance, training, construction and remodeling project management, and a variety of program support activities. Each canteen is headed by a chief who has a background and experience in retail and food merchandising and management.

Located in VCS's central office is a merchandise division whose professional staff of buyers regularly shop the market to identify, category by category, those merchandise items that they feel represent the best values for VCS customers; negotiate the best prices, terms and delivery schedule possible; make this information available through price agreement listings to each canteen chief so that he or she may place orders (within merchandise inventory guidelines) to stock their stores, and place system-wide orders for special promotional "one-time buy" items for delivery to participating canteens. Since the VCS has no national warehousing, each canteen orders its individual require-

ments on a direct basis.

Recently, a strategic and tactical planning system was adopted by the service to better address and integrate its facilities development, training, merchandising, marketing, procurement and ADP activities in light of past and projected operational budgetary and income trends, as well as customer demand and needs of the agency.

From such efforts have come the new programmatic directions that the service is pursuing or will pursue. For example: to further improve the quality of food preparation systemwide; to further improve and broaden as needed the type of food offerings marketed by VCS cafeterias; to broaden/add more emphasis to testing and evaluation efforts of products and equipment in both food and retail departments; to implement aggressive programs of food and retail store merchandising with tie-ins between the manual food and retail departments; to improve and broaden the merchandise marketed by VCS retail stores; and to further improve the quality of canteen management systemwide.

In addition to these selected programmatic efforts are new technological efforts, including acquisition and implementation of a computer assisted drafting system to facilitate design and layout, and the development and implementation of a program management information system to complement the service's financial management information system.

Ladies Ready-to-Wear

For the past several years the Veterans Canteen Service has directed many of its merchandising and marketing efforts towards the increasing population of aged veterans in VA health care facilities.

Today, female patients represent less than 2 percent of the VA medical center system patient population. However, with more women electing both short term enlistments and long term careers in the military, the VCS has prepared to adequately serve the ever-increasing female patient population.

The VCS has always had a modified ladies clothing program that was usually based on need or convenience. If a medical center had female patients the VCS would see to their clothing requirements (i.e. "needs") and to providing gift items such as perfumes and toiletries (i.e. "conveniences").

In the summer of 1983 the VCS formulated plans to broaden its ladies clothing program beginning with the spring season of 1984. In February 1984, the Administrator's Advisory Committee on Women Veterans met in Washington, D.C. Among the programs and areas they reviewed was the Veterans Canteen Service.

The VCS presented a briefing to the committee that included a discussion of the mission, history and general operation of the service, and a fashion show of ladies ready-to-wear, lingerie and nightwear. Models ranging from average to full figured sizes displayed ladies clothing that would serve both the bedridden and ambulatory female patient. Based on comments from the committee, the VCS made ladies pajamas, robes and underwear available at all canteens. A variety of ready-to-wear (blouses, shirts, skirts, slacks, sweaters, lingerie) and footwear were and are stocked.

Manual Food Department

From its inception in 1946, VCS has provided food service. The VA's Dietetics Service takes care of inpatient feeding, but the VCS cafeterias are a place to gather for a cup of coffee and a snack. Since the mid-1950s, VCS has been charged with medical center employee feeding; it also handles food service for outpatients, volunteers and visitors at most medical centers.

Every effort is made to keep abreast of food trends and to offer what our customers want. Present directions are towards multipurpose bars for items like salad bar, breakfast bar, snack bar, dessert bar, hot dog bar, taco bar, etc., as well as gourmet-style sandwich and grilled-to-order service areas. All of these customer pleasers are proving effective as we are realizing larger than anticipated sales increases.

Tremendous improvements have been made in the physical conditions where our cafeterias operate. Gone are the quonset huts and the terribly inadequate basement areas. They have been replaced with bright, modern, cheerful areas with state-of-the-art cafeterias. The remodeling program continues, with 1984 being one of our busiest years. We remodeled 22 cafeterias; another four had new seating installed; and four others, new food service lines.

To maintain quality, the VCS has been busily preparing training aides. One example of this is "Grilling American's Favorite: The Hamburger," a video cassette now out in the field. Over two hours of video cassettes have also been developed on "Food Service Sanitation" and "Equipment Cleaning" by cooperative efforts with private industry, the VCS, and the VA Regional Learning Resources Service in St. Louis. Also prepared and distributed was a 200 page VCS Catering Guide.

Design and Layout Activities

The VCS maintains a design and layout division at its central office which is responsible for working with VA medical centers, VCS field offices and the VA's Office of Construction on new construction and remodeling projects. The service is continually modernizing its canteens. Retail stores are designed to provide customers with easy accessibility to merchandise, an important consideration when some patients are in wheelchairs, on litters, or suffering other handicaps.

Twelve retail stores were remodeled during 1983, 17 were completed in 1984, and another 66 are already in the planning stages for the next 5 years.

Both in remodelings and in existing stores, the updated ladies clothing program has created a need for new or different fixturing. In the remodeling, more emphasis is placed on the ladies' department and on providing the type of fixturing conducive to such merchandise, such as blade racks, T-base units, plastic pocket units for displays of ladies hosiery, etc. In existing stores, minor fixturing refinements are taking place.

Cafeteria renovations are designed to open up the food service area and provide a variety of seating arrangements. For some cafeterias there is a reduced emphasis on the steamtable and an increased emphasis on the short order, deli sandwich, soup and salad bar areas. In FY 1983 four cafeterias were completely remodeled; five had changes in seating only, and two had food service lines redesigned. In FY 1984, 22 cafeterias were completely remodeled; four had new seating arrangements and four others received new food service lines.

Training

In the past few years, the service has emphasized training. Two years ago it introduced a comprehensive cash register training program for its food service and retail clerks. The program includes an operator's manual for each cashier, a loose-leaf supervisor's manual with training exercises and two 20-minute video cassettes which spotlight courteous behavior. The video cassettes received a certification of excellence from the 1983 U.S. Industrial Film Festival; it was the first recognition received by the VA at the Festival since 1980.

The award-winning cash register training program was produced by the VA's Regional Learning Resource Service in St. Louis. RLRS also produced a VCS catering guide. The majority of canteens already do some catering.

Robert A. Leyton, Ph.D.
Acting Director
Veterans Canteen Service

Coast Guard Activities

THE COAST GUARD directs both its exchange program and its commissary program from the Financial Resale Systems Division at Coast Guard headquarters in Washington, D.C. The same office also is responsible for the service's appropriated-fund uniform stores.

Stores are operated under a decentralized management concept. Each Coast Guard unit has its own administrative office to manage exchange and package store activities at that location.

The two Coast Guard commissaries — one at Kodiak, Alaska, and the other at Governor's Island, N.Y. — had combined FY 1984 sales of $5,697,000. This was $201,000 above the FY 1983 total, and represents an increase of 3.7 percent.

Exchange sales at each Coast Guard unit are shown in the adjoining chart. The figure called "Exchange" includes sales of exchanges, mimimarts and country stores. The figure called "Other" includes vending, service stations, food service sales, guest houses and personal services (barbers, dry cleaners, etc.).

1984 COAST GUARD EXCHANGE SALES

UNIT NAME	EXCHANGE*	GROCERY	OTHER	TOTAL
ATC, MOBILE	1,749,939	6,673,431	417,417	8,840,787
AS, CAPE COD	2,194,665	4,688,466	782,443	7,665,574
STATION, ST. PETERSBURG	2,677,057	2,402,705		5,079,762
COAST GUARD ACADEMY	3,810,641		440,340	4,250,981
SPT CTR, KODIAK	3,202,261		1,035,777	4,238,038
AS, MIAMI	2,335,062	1,629,250	161,578	4,125,890
SPT CTR, NEW YORK	3,520,925		468,935	3,989,860
DISTRICT 9	678,395	1,781,753	6,889	2,467,037
AS, BROOKLYN	1,903,582		25,014	1,928,596
TRNG CTR, CAPE MAY	1,547,479	116,922	233,389	1,897,790
KKH, HONOLULU	1,157,431		638,983	1,796,414
BASE, MOBILE	766,674	528,468	299,179	1,594,321
RES TRNG CTR, YORKTOWN	1,367,055		122,757	1,489,812
BASE, SOUTH PORTLAND	1,416,620			1,416,620
SPT CTR, SEATTLE	1,256,036		112,449	1,368,485
TRNG CTR, PETALUMA	1,116,961		213,650	1,330,611
AS, CLEARWATER	1,173,267		10,752	1,184,019
SPT CTR, BOSTON	1,152,840			1,152,840
BASE, MAYPORT	1,017,666			1,017,666
GROUP, ASTORIA	486,207	440,568	78,910	1,005,685
SPT CTR, ALAMEDA	839,683		128,840	968,523
SPT CTR, ELIZABETH CITY	895,806		9,595	905,401
SPT CTR, PORTSMOUTH	854,167		43,867	898,034
BASE, HONOLULU	730,881		135,061	865,942
STATION, JUNEAU	800,711		4,358	805,069
AS, TRAVERSE CITY	239,656	529,352		769,008
CG YARD, CURTIS BAY	536,203		160,116	696,319
GROUP, LONG ISLAND	652,897			652,897
BASE, GLOUCESTER CITY	621,098			621,098
AS, PORT ANGELES	376,124	111,350	79,236	566,710
FT. MYERS	557,580			557,580
CAPE HATTERAS	518,137			518,137
BASE, KETCHIKAN	470,680		15,460	486,140
ROCKLAND	467,986			467,986
BASE, CHARLESTON	407,624		16,728	424,352
BASE, ST. LOUIS	414,044		7,622	421,666
AS, NORTH BEND	250,526	147,120		397,646
BASE, MIAMI	342,174		16,426	358,600
BASE, GALVESTON	326,085		7,266	333,351
BASE, NEW ORLEANS	321,456			321,456
AS, SITKA	283,704		16,205	299,909
GROUP, MUSKEGON	271,810			271,810
BASE, SAN PEDRO	205,089		16,861	221,950
GROUP, DETROIT	207,965		3,065	211,030
TOLEDO	204,577			204,577
GROUP, SHINNECOCK	199,632			199,632
SOUTHWEST HARBOR	180,284			180,284
BASE, MILWAUKEE	146,781		9,065	155,846
BASE, SAULTE ST. MARIE	153,552			153,552
GROUP, BUFFALO	146,049		4,209	150,258
GROUP, HUMBOLDT BAY	96,864		2,411	99,275
SANDY HOOK	79,301			79,301
AS, SAN DIEGO	73,136			73,136
MSO, PORTLAND	53,460		8,521	61,981
STATION, HOUSTON	44,540		3,964	48,504
BASE, FORT MACON	24,523		20,737	45,260
STATION, ALEXANDRIA	35,699			35,699
TOTAL DOMESTIC	$47,561,247	$19,049,385	$5,758,075	$72,368,707

UNIT NAME	EXCHANGE	GROCERY	OTHER	TOTAL
AS, BORINQUEN	2,089,935	1,687,777	32,517	3,810,229
BASE, SAN JUAN	1,382,812		128,984	1,511,796
LORAN, LAMPEDUSA	20,780			20,780
LORAN, SELLIA MARINA	15,938			15,938
LORAN, SYLT	12,806			12,806
LORAN, ESTARTIT	12,233			12,233
LORAN, KARGABARUN	7,232			7,232
TOTAL OVERSEAS	$3,541,736	$1,687,777	$161,501	$5,391,014
SHIP STORES	345,249		108,277	453,526
TOTAL SALES	$51,448,232	$20,737,162	$6,027,853	$78,213,247

SOURCE: U.S. COAST GUARD

Marine Corps Exchange System

SYSTEM SALES RATE of gain for 1984 showed some improvement over 1983 with an overall increase of 2.57 percent. Profit, as a percent of sales, was a healthy 5.8 percent, which allowed a $17.6 million dollar donation to Marine Corps recreation funds.

Operational strategies instituted for 1985 to maintain and improve our service were based on data from results of a patron survey conducted at each of the Marine Corps' 17 exchanges during August 1984. Realigned emphasis on policies and practices reflect a "back-to-basics" approach, and is geared to improving the merchandise and services for our patrons.

1984 also saw considerable gains in facility improvement efforts. Major construction projects completed include:

- New troop and convenience stores at the Marine Corps Air Station Cherry Point, N.C.
- A new main exchange complex at Camp Elmore, Va.
- Major renovations of the main store at the Marine Barracks, Panama, and
- A new administration and services building at the Marine Corps Air Station El Toro, Calif.

Three new major construction projects are planned for completion during 1985.

Consumer research reinforced the need for exchange management to continue emphasis on providing our patrons quality and value at substantial savings. Despite some initial growing pains, our house brand products program seems to have gained a considerable measure of acceptance with our patrons. After an initial evaluation period, a somewhat revised and slightly expanded stock assortment was introduced into our exchanges. Currently the program is providing, at a 20 to 40 percent savings, a lower price alternative to specific nationally branded merchandise. We anticipate continued strong patron demand for the house brand items in the future.

The upgrading of employee training programs remain a top priority effort. In concert with the Marine Corps exchanges' central theme of "back-to-basics," training programs targeting specific areas are receiving renewed emphasis. These include programs geared to upgrading employee attitudes and skills in such areas as courtesy, product knowledge, signage, visual merchandising and other programs and initiatives essential to improved service.

Last but not least, we of the Marine Corps Exchange Service view the use of nationally recognized credit cards in exchanges as a long overdue initiative that will permit the military family to benefit from the savings on merchandise and services available through the exchange. This is particularly important during tight financial periods, or when paying cash is not convenient for other reasons. The use of credit could boost the exchanges' annual sales by an estimated 6 to 8 percent with minimal impact on the surrounding commercial retailers.

As we approach our 88th Anniversary we look forward to making Marine Corps exchanges more attractive and economical places to shop and will continue to stress our role in improving the quality of military life for our service families.

Col. W. R. Irwin, USMC
Head
Marine Corps Exchange
Service Branch

Marine Corps Commissaries

FOLLOWING AN outstanding year in FY84, with a 13.7 percent growth in sales, the Marine Corps commissary program anticipates FY85 and FY86 to continue in the same positive trend.

Sales in the first six months of FY85 are up 9.9 percent over the same period of the previous year. These increases are attributed to expanded commissary services, improved merchandising techniques and product availability, improved distribution systems, and reinforced patron awareness of commissary savings.

This growth was achieved with no additional resources. In order to sustain the continued growth of the Marine Corps commissary system, dynamic plans are programmed for the remainder of FY85 and for FY86.

As in previous years, the facility improvement program is still a high priority. This summer a new store will be opened at Barstow, Calif. Expansion of the Quantico, Va., commissary and construction of a new store at Twentynine Palms, Calif. are programmed in FY86. Additionally, a new commissary at Iwakuni, Japan, which is being funded by the government of Japan, is expected to open in the late summer of FY86.

The Marine Corps continues to expand in the direction of automation. In early FY86 the commissaries at Quantico, Va., and Albany, Ga., will be brought under the support of the East Coast Complex, and the Kaneohe Bay, Hawaii, commissary will join the West Coast Complex. Under complexing, these stores will benefit from centralized accounting, procurement and supply systems, enabling them to provide improved service to the commissary patrons.

Award of the contract for the new enhanced Commissary Management Information System will also be made in FY86. This system will further extend the efficiency and effectiveness of our commissaries.

Finally, the FY86 program includes the plan for scanning to be implemented at all Marine Corps commissaries.

Through these aggressive programs in FY85 and FY86 the Marine Corps plans to enhance the commissary system to continue to provide quality merchandise and service to the commissary patrons.

R. Oliver
Head, Services Branch
Installations and
Logistics Department
U.S. Marine Corps

Navy Resale & Services Support Office

NAVY RESALE SYSTEM programs are continuing to provide the services and merchandise selections that customers are seeking during the current fiscal year. Several new initiatives make the programs even more valuable to the men and women of the Navy and their families.

Summarizing last year's progress:

Navy Exchanges

Navy exchange worldwide sales were $1,569,700,000, an increase of 3 percent over the previous year. Retail sales were strong during 1984, rising 4.7 percent despite a decline of 4.3 percent in tobacco sales. (The decline in tobacco sales is consistent with an overall trend in the U.S., where per capita use of tobacco appears to be moving downward.)

Several exchange retail departments did rather well in FY 1984. Departments experiencing the most significant sales growth included toys (19.8 percent), consumer electronics (15.5 percent), jewelry (15.1 percent), stationery (15.0 percent), home furnishings (14.5 percent), and candy (12.4 percent).

Navy exchanges contributed $50.7 million to the Navy's morale, welfare and recreation programs during the fiscal year, with $26.3 million being retained at the local base level and the remainder going to support the Navy-wide central recreation fund.

In 1985, sales promotion and special events have been refined as part of the overall objective of attaining real sales growth of at least 1 percent. Several initiatives have been developed to enhance the Navy exchange image, increase sales and properly control promotional activity system-wide

System-wide promotional events have grown from four in 1983 to a total of 15 in 1985. An additional 11 events are scheduled for local or regional implementation. The total number of 26 events seems to be the optimum amount per year. All exchanges will participate in the system-wide sales promotions, which are supported by full color circulars and central purchases by NAVRESSO. The general dates for the local or regional events have been determined by NAVRESSO, but these events will be tailored to meet local market demand by the field support offices or the independent exchanges.

Sales promotion circulars contain a mixture of products featured at everyday low prices, thereby promoting merchandise from existing stock assortments, and a selection of items that have vendor cost price reductions.

Development of planograms for various departments at Navy exchanges enables the exchanges to control shelf space allocation and make available a good selection of basic merchandise items for the customers. The first category of planograms was developed for the self-service departments and includes toiletries, household supplies, stationery and candy.

Each planogram is tailored to store size and specifies individual product location, the number of linear feet per product and adjacent merchandise. Each planogram also has local store options built into the plan.

The planograms are expected to improve in-stock position, maximize stock turns and standardize retail activities.

Sales for Navy exchange brand products increased 67 percent over fiscal year 1983. By this summer, the Navy exchange private label will include approximately 180 line items. Sales are projected at $15 million for this year.

In the area of budget merchandise, consideration had been given to dropping the separate identification of this merchandise and integrating this merchandise with other Navy exchange items. However, the fleet and force master chiefs at their annual conference at NAVRESSO recommended that the budget merchandise identity be retained to avoid the perception that this merchandise was no longer being sold at the exchanges.

Several alternatives were considered, but NAVRESSO elected to retain the name of Budget Merchandise. The green color used in display and signing materials for Budget Merchandise has been changed to earth tones to avoid confusion with the exchange's green tag program, which promotes savings of 15 percent or more below regular selling prices for a selected period of time.

The main emphasis of the Navy exchange budget program in 1985 will continue to be in children's wear, where Budget Merchandise accounts for approximately 35 percent of sales.

Last August, NAVRESSO awarded a ten-year contract to the McDonald's Corporation to establish their fast food family restaurants at Navy bases throughout the world. Based on current construction plans, a total of 54 McDonald's are scheduled to be in operation at Navy bases by January 1986; eight of these will be located overseas — in Italy, Puerto Rico, Bermuda, Guantanamo Bay, Guam and Japan.

Sales at those McDonald's that have already opened are higher than anticipated. Weekly sales at Great Lakes average $86,000; North Island $61,000; Barber's Point $44,000; and Memphis $83,000.

House Armed Services Committee approval to sell personal computers and accessories at ConUS exchanges resulted in the development of a merchandising plan for Navy exchanges. Personal computers will be introduced into selected Navy exchanges this summer. The plan provides display guidelines, stock assortments tailored to store size, and a training program for sales personnel.

Personal computers have been sold overseas since last year; sales of computer hardware and software totaled $2.5 million in FY 1984.

Construction and renovation of Navy exchange facilities will result in seven major projects being completed this calendar year. The following facilities will have grand openings between now and the end of December if everything goes according to plan: Navy exchange shopping mall, Naval Amphibious Base, Little Creek, Va.; exchange complex at Newport, R.I.; Mini-Mart at Naval Air Station, Pensacola, Fla.; new exchange at Naval Air Station, Corpus Christi, Tex.; new exchange at Athens, Ga.; exchange auto center, Kings Bay, Ga.; and a new exchange at Long Beach, Calif.

Commissary Program

The Navy commissary program continues to move ahead in terms of sales and serving the Navy community.

Fiscal Year 1984 sales were $774 million, compared to $694 million for FY 1983, an increase of 11.6 percent. For the first six months of FY 1985, sales were $405.4 million, up 6 percent over the same period last year.

Navy commissary sales have grown at an annualized rate of 8.4 percent since the beginning of fiscal year 1983. This sales performance reflects the continued success of the commissary business strategy which resulted in increased merchandise assort-

ments, improved customer service and the improved availability of product.

The Navy commissary business strategy was updated and modified primarily on the basis of findings of customer-based research studies conducted in 1984. The major emphasis in this year's business strategy will be to stress the savings that commissaries offer. The savings theme will be promoted through in-store banners, point-of-sale reminders and handouts to customers.

Image departments at commissaries are meat and produce. The strategy calls for highlighting the quality of meats sold in the commissary, increasing the number of line items depending on a store's volume, and developing a special theme for meat items.

In produce, the emphasis is on first-rate quality and merchandising techniques that highlight the quality of the produce items.

Grocery departments are being expanded, and assortments are limited only by space constraints. The plan is for large volume stores to eventually carry at least 8,000 grocery items, which would include a wide range of frozen foods, dairy items and a line of generic products. Delis and bakeries will continue to be established and operate at large commissaries where space is available.

Sales promotion will concentrate on in-store promotion, with emphasis on holidays and seasonal events that are normally promoted in the commercial supermarkets. All events will be supported with an aggressive visual merchandising program.

Wherever possible, operating schedules will be adjusted to offer more weekend and evening shopping to accommodate the needs of working families and more evenly distribute customer traffic.

During the past year eight Navy commissaries participated in a test program by which selected Reservists were authorized to shop at commissaries at any time during the year, up to a total of 14 shopping visits.

The test showed that Reservists spend approximately twice as much per visit ($115) as regularly authorized customers ($45). Shopping by Reservists has not adversely impacted on the staffing or facilities requirements of the Navy commissaries participating in the test, which has been extended pending a final decision.

The Navy commissary program is making a significant staffing adjustment this year. Last fall it was announced that the Navy is replacing all military commissary officer billets with civilian personnel. In response to the Navy's need for military officers for fleet requirement billets, NAVRESSO has developed a plan to expedite the recruiting and training of civilian managers to fill the commissary officer billets as quickly as possible with qualified civilians. The first phase will be taking place this summer and the replacement of all 71 military officers in ConUS and overseas is expected to be completed by October 1986.

A test of frequent delivery in the San Diego area appears to be successful. Under the test, the stores electronically transmit daily product quantity requirements to a distributor, who makes deliveries directly to the stores in shelf quantities instead of delivering to the warehouse. Orders for the merchandise are placed with the manufacturers, but deliveries are made by the distributor.

The objective of the test system was to make better use of commissary labor, reduce inventory levels at overcrowded warehouses, improve the in-stock position and expand the range of items carried in the stores. Utilization of the frequent delivery system has resulted in a net savings of 10.8 work years, which were redirected to commissary sales floors. Inventories in the San Diego commissaries declined by 15 percent, while average monthly sales increased by 9.5 percent. Of the 5,800 line items carried by the San Diego region, 2,200 are warehoused, 1,800 are supplied by the distributor under the frequent delivery system, and 1,800 items are direct delivery items such as dairy and bakery products.

A similar distribution test is underway in the Norfolk, Virginia, commissary region.

The scanning of Universal Product Codes is moving along on schedule in the Navy commissary program. Currently, 88 percent of the U.S. commissaries and 11 percent of the Navy stores overseas have scanning capability. By the end of this year, all Navy commissaries in the United States will have scanning and all overseas stores will be scanning by the end of next year.

At the moment, the benefits of scanning being realized include a significant reduction of pricing errors at the register, elimination of work hours needed for individually price marking each product, and the printing out of detailed cash receipt tapes that includes item descriptions. Future advantages of scanning would probably include product movement analysis, inventory reordering and inventory control.

In 1985, the Navy Resale System continues to provide service, satisfaction and savings to Navy customers.

State Department Co-operatives

SECTION 31 OF THE the State Department Basic Authorities Act (22 U.S.C. 2684) is the principal authority governing the 125 post employee associations run at American embassies, consulates general and embassy branch offices abroad. Taken as a group, these had approximate annual gross sales of between $65 and $70 million in 1984.

There are twelve organizations that have projected annual sales of more than $1 million (average annual sales of $2.4 million). Eighteen employee associations have projected annual sales of between $500,000 and $1 million (average annual sales of $650,000), 45 project their sales to be between $100,000 and $500,000 (average annual sales of $246,000), and 46 have projected annual sales less than $100,000 (average annual sales of $48,000).

Embassy post employee associations render a wide range of services, including:

- Commissaries (groceries and dry goods),
- Class VI sales (liquor and tobacco products),
- Operation of recreation facilities, and
- Family and community services, including operating such things as temporary living quarters for newly arrived or TDY employees; assistance, if necessary, with residence leasing and group purchasing; restaurants and social clubs; educational services, such as libraries; family counseling; loan funds for local and American employees, and day-care centers.

Embassy post employee associations are operated as cooperatives and are capitalized by employees through

returnable deposits. American goods and services are sold to assist foreign service employees and for representational purposes. Profits are used for welfare and recreation activities or as a donation to the Central Commissary and Recreation Fund.

Whenever feasible, post employee associations are located on U.S. government property and are open to all U.S. citizen employees of U.S. military and civilian agencies and contract employees, in accordance with host government regulations. Associations offer no duplication of facilities offered by other U.S. government agencies.

In October 1983, the Office of Commissary and Recreation Affairs was established at State Department Headquarters in Washington, D.C. It is staffed by two full-time employees and one employee who works part-time in this office. Unpaid college interns on a work/study program also work in the office.

Some of the responsibilities of the Office of Commissary and Recreation Affairs include:

- Providing management counsel, guidance and assistance to the associations;
- Initiating new post and commissary-employee support programs, including providing centralized supply and procurement assistance;
- Assistance in joint embassy and other foreign diplomatic missions, international organizations, and Canadian exchange system procurement activities to save on transportation cost and take advantage of bulk order discounts (when consistant with host government laws);
- Maintaining constant liaison with U.S. suppliers and the foreign distributors and freight forwarders to ensure competitive prices;
- Assisting posts in recruiting professional managers;
- Advising commissaries on new products;
- Developing alternative sources of supply;
- Alerting posts on food health hazards or product recalls;
- Assisting in the development of new associations;
- Identifying employee organizations in financial and management trouble and assisting posts and bureaus in determining corrective action;
- Maintenance of a management information system which provides a profile of each association;
- In-depth analysis of associations' financial statements and audits with follow-up compliance procedures;
- Reviewing and updating management handbooks for employee associations overseas;
- Answering all concerns from associations, whether management or financial, through cables, etc.;
- Operation of a non-appropriated Central Fund to provide loans to associations;
- Visiting posts frequently to provide on-site assistance, and
- Maintaining liaison with the various headquarters of DoD commissary and non-appropriated fund activities and similar operations of other foreign governments or multi-national firms.

Ravi Sikand
Director
Office of Commissary and Recreation Affairs
Department of State

Troop Support Agency

THE U.S. ARMY TROOP Support Agency has many initiatives under way and plans for others that will help us improve management of commissaries.

Commercial Activities

In May 1984, the Department of the Army announced plans to study the shelf stocking functions at 69 stateside commissaries for possible conversion to commercial contract. To date, performance work statements, management studies and in-house cost estimates have been completed for 42 commissaries.

Thirty-five of these have been submitted for certification to either the U.S. Army Audit Agency, which must review studies involving more than 10 full-time employees, or TSA's Internal Review Office, which reviews studies involving 10 or less. The USAAA has certified the accuracy of in-house cost estimates for five of these studies.

The cost comparison process has been completed at Dugway Proving Ground, Utah, where contracting out was considered more cost-effective. A shelf stocking contract was awarded to Keller and Sons, Inc., of Layton, Utah, which began operations at Dugway on June 1, 1985.

All shelf stocking contract actions are scheduled for completion by the end of September 1986.

Scanning

On May 23, 1985, the U.S. Army Information System Selection and Acquisition Activity, Alexandria, Va., awarded a contract to NCR Corp. of Dayton, Ohio, to install scanning systems in 71 commissaries and annexes at a cost of $16,195,546.

The contract has a 10-year life cycle that includes installation and maintenance of equipment and training of commissary personnel. The government has an option to extend the contract to include all additional 103 commissaries. Presently, TSA has scanning in operation at Fort Lee, Va., Fort Benjamin Harrison, Ind., Fort Belvoir, Va., and Fort Leavenworth, Kan.

We plan to install scanning systems in four commissaries each month, one in each stateside commissary region. The European Commissary Region will not receive scanning until the District Oriented Store System is operational. The first commissary to receive scanning under the contract will be Fort Ord, Calif., in August 1985.

Information Systems Plan

TSA, along with the rest of the Army, is looking for ways to reduce paperwork and still provide managers at all levels with information they need to do their jobs. Automation can help. But until recently, automation efforts have been aimed at solving isolated problems. The result is a combination of stand-alone manual and automated processes. These systems do not allow efficient sharing of information and often result in duplication of effort.

Our need to manage information at all levels has resulted in a contract award to Informatics General Corp. of Columbus, Ohio, for an Information Systems Plan. An ISP is a widely accepted method for identifying critical information needs, users and suppliers, and their relationships.

Informatics has completed all interviews required by this method to define the logically related decisions and activities for management of TSA resources. From the interviews and analysis of existing information flows, Informatics will produce a written report and formal presentation for Agency management officials.

The report will provide the road map for tying together existing information systems and developing new systems to provide critical information timely. The ISP will be a strategic plan through which TSA can assign priorities, identify and assess costs, and measure progress towards accomplishment of automation goals.

EURCOR Reorganization

The EURCOR reorganization is accelerating rapidly as we near completion of the ADP/telephone communications system being developed to support each level of the new organization.

Building renovations for the Giessen, Stuttgart, Munich and Bamberg districts are essentially complete and the initial staffing has been established. Renovation requirements for the Heidelberg facility are being determined now.

We have experienced some minor delays, approximately five months, in our software development schedule. However, the District Oriented Store System software has been delivered to TSA Headquarters where it is receiving extensive testing and necessary rework before being sent to the Frankfurt district this month. All remaining districts will receive the DOSS software by May 1986.

Merchandising and Marketing

As I reported last year, TSA established a Merchandising and Marketing Branch in the Directorate of Commissary Operations. This branch is responsible for standardizing and monitoring the merchandising program throughout the Army commissary system. Since then, we have developed and implemented several programs, such as standardized promotions worldwide, procedures for mandatory promotions, commissary resets, faster methods for adding new items and test market products, and improved ways to review, add and delete resale items on the Authorized Stockage List.

Our philosophy on resets is to have every Army commissary follow a uniform sales floor plan so that a customer could visit any commissary in our system and still be able to find essentially the same items in the same basic commodity groups. Once achieved, the reset program will provide an efficient and consistent shopping pattern, easing customer frustration and making shopping considerably easier. More than a dozen commissaries have been reset to date, and all 178 commissaries will be reset by early 1987.

Another merchandising effort that will improve customer service is our plan to achieve at least 25 percent stock commonality for all commissaries within a region. This means that each region must establish a mandatory stockage list equal to one-fourth of the largest number of authorized line items in any commissary in its region. For instance, if the greatest number of line items stocked by the region's leading commissary is 8,000, the region must establish a mandatory stockage list of at least 2,000 items for all its commissaries. Once accomplished by the end of 1985, stock commonality will help fulfill customer desires for specific items.

Distribution and Storage Study

Last September, TSA awarded a contract to Technology Management Corp. of Virginia Beach, Va., to conduct a distribution and storage study of Army commissaries in the United States. The purpose of the study, which was completed in June, was to determine the most effective method of distributing and storing subsistence in ConUS. TSA is reviewing the study results before implementing any approved recommendations.

Commissary Construction

Our goal for the commissary construction program is to provide state-of-the-art facilities through replacement or renovations of all Army commissaries. TSA's current plan involves 40 projects through Fiscal Year 1991, with major emphasis on long neglected facilities in Germany. Of the 40 projects planned, 24 are slated for Germany.

Three surcharge-funded major construction projects are underway and include new facilities at Fort Jackson, S.C., and Fort Meade, Md., and renovation of the Fort Rucker, Ala., commissary. Also, the government of Japan is funding a new Army commissary at Sagamihara, Japan, and the U.S. Department of State is funding construction of a replacement facility in Cairo, Egypt.

Projects under design include Hanau, Fuerth, Robinson Barracks, Patch Barracks, Wuerzburg and Dexheim, Germany; Yongsan, Korea; and the Presido of San Francisco, Calif., Fort Bragg, N.C., Fort Irwin, Calif., Fort Lewis, Wash., Fort Drum, N.Y., and Fort Leonard Wood, Mo.

Because "Army Families are Our Business," TSA will do its best to guarantee their rights - the right item in the right quantity at the right place at the right time for the right price.

Brig. Gen. James S. Hayes, USA
Commander
U.S. Army Troop Support Agency

Defense Logistics Agency/ Defense Personnel Support Center

TODAY'S UNITED STATES military forces are scattered around the globe and stationed at every type of facility, from large installations to remote one-person sites. Providing a variety of wholesome, nutritious and appealing food is a vital mission of the Defense Logistics Agency.

Subsistence support involves more than actually selecting fresh fruits, meats and canned and packaged goods. It's replacing aging buildings with modern cold storage facilities. It's undertaking initiatives which will lower prices while improving quality. It's reducing order-ship time so customers' needs can be fulfilled quickly. And, unfortunately, it's having to prosecute those companies and their representatives who cheat the government.

These and other ongoing projects in the Defense Logistics Agency are designed to continue and enhance our timely and responsive support to the armed forces and improve their readiness.

With that in mind, let's take a look at some of these initiatives.

Our subsistence storage facility at Bremerhaven, Germany, was housed in a deteriorating 65-year-old building. After analyzing large restoration costs and traffic congestion problems near the existing facilities' railroad yards, the decision was made to build a modern cold storage subsistence facility.

In January 1986, the new, commercially-maintained Bremerhaven facility will begin servicing the North-/North Central European area.

It will have the capacity to store approximately 4,000 short tons of perishable goods, almost double the size of the present building. Currently, our monthly average of short tons, in and out, is 3,300. In the new building we

expect that to increase to 5,000, thus improving item availability.

More efficient cold storage handling will be provided with the modern racking methods. Also, a dramatic decrease in the need for emergency leased back-up cold storage space and a lowering of van detention charges are expected with the transfer to the new commercial cold storage facility.

Looking toward lower commissary prices and an increase in selection quality, DLA has launched a test program for competing brand name products sold in European commissaries.

Under the test, the top selling one or two brands will not be competed, while other recognized brand name items will be for a six-month supply period. After negotiations, the military services will select the one or two additional items they want to carry in all their European commissaries.

Our recent testing of one-pound packages of soybean margarine provides a good example. The services decided to retain Parkay and Blue Bonnet, with Land O'Lakes, Imperial and Mrs. Filbert's being competed. Imperial, with a price of 49 cents a pound, was selected.

Pot pies, T.V. dinners and meat hot dogs are the next items to be competitively bought. Solicitations have been issued and a selection will be made shortly.

With lot pricing, it is now possible for vendors to lay out long term voluntary price reductions, advise DLA of the lower prices and be assured they will reach individual commissaries.

Vendor acceptance of this change has been excellent, with 51 companies providing voluntary price reductions on over 1,400 line items from January to March.

To make sure the government is not being charged exorbitant prices for overseas shipments, a two-tier pricing policy has been introduced.

Vendors are now required to submit both a stateside and an overseas price. If the overseas price is higher than the stateside price, then the vendor must justify the higher price. This procedure permits the services to determine whether or not they wish to order the higher priced item.

For items already in the commissary system, a market basket analysis comparing shelf prices of 60 stateside and overseas items has been undertaken.

The analysis, started with East Coast Stateside and European commissary customers in December, was recently expanded to include West Coast commissaries and the Pacific overseas theaters, and to compare commercial grocery store unit prices on both coasts.

Vendors whose items are selling at higher prices overseas than stateside will be contacted and asked to make the lower prices available overseas.

With all these changes affecting the resale system, the agency is watching carefully its selection and training of the subsistence contracting staff. Position responsibilities are being upgraded and management positions increased.

Implementation of the Defense Integrated Subsistence Management System, commonly known as DISMS, continues to draw interest from the resale community.

DISMS' first phase — Fresh Fruits and Vegetable Order/Receipt System — was initiated at all 17 DPSC-controlled subsistence offices and 5 subsistence regions during 1984. Phase Two of this effort — implementation of FFAVORS in Europe — is scheduled to begin this summer.

As the agency reported to you last year, the first increment of the DISMS centralized data base, which includes the financial allotment accounting and contracting post award functions, was implemented. Later in the year, the second increment, dealing with voucher examination and disbursements, went on-line.

In August of this year, increment three — the cataloging, contract-technical data and standard prices — will enter the testing phase. Under this, the Defense Personnel Support Center will be able to manage and maintain its cataloging and technical data and enable other portions of DISMS to access and use this data more efficiently. Standard prices of subsistence items will also be computed.

Full implementation of DISMS will be accomplished in stages. In the meantime, we are reviewing the potential use of uniform product codes in our domestic and overseas operations.

As commissaries move toward scanning at the checkout line, it becomes increasingly clear that there is a need for more coordination among product vendors, DLA and the commissaries. An effort must be made at the technical as well as the commercial level to resolve problems.

The increasing widespread use of Universal Product Codes calls for re-examination of the role of National Stock Numbers in the system.

Presently, we are pursuing the capability to electronically transmit overseas commissary Nonperishable Brand Name Delivery Orders to our customers.

An initial effort, scheduled to begin in July 1985, will be the testing of transmissions between the Defense Personnel Support Center and Procter and Gamble Co. using the Uniform Communications Standard. Once initial experience is obtained, the test will be expanded to 24 additional suppliers.

The capability to exchange data within a standard format will benefit not only DLA and its activities but suppliers and the entire commissary system as well.

As DISMS continues to be implemented and the potential of the Uniform Communications Standard is realized, we must also reexamine the value of the traditional Supply Bulletin as a vehicle for doing business.

For years, the Supply Bulletin has served as a valuable tool in the resale business. However, new technologies are creating better ways to conduct business. Efforts are now under way to mechanize this process and to provide electronic update and inquiry to and by vendors and customers.

The Defense Logistics Agency has always tried to assure that our customers receive fresh, nutritious food at a fair price. Unfortunately, certain vendors and vendor representatives still feel they can make profits by providing substandard products or falsifying their contractural documents.

DLA has and will continue its strong efforts in making sure this is discovered and corrected. We, as the supplier of the military's subsistence needs, do not intend to deal with people of companies who have demonstrated that they cannot be counted on to deal fairly with the governement.

Through these and other on-going actions, the Defense Logistics Agency, a dynamic partner with the military services, continues to enhance its timely and efficient support to our Armed Forces and in turn improve their readiness.

Lt. Gen. Donald M. Babers, USA
Director
Defense Logistics Agency

Military Market Index

		MARCH			YEAR TO DATE		
Commissaries		CY85	CY84	%	CY85	CY84	%
Air Force	CONUS	$156,609	$165,683	-5.48	$449,227	$452,898	-.81
	OVERSEAS	31,471	32,217	-2.32	90,142	88,101	2.32
	TOTAL	188,080	197,900	-4.96	539,369	540,999	-.30
Army	CONUS	111,825	114,765	-2.56	314,685	313,215	.47
	OVERSEAS	32,655	35,280	-7.44	93,450	97,545	-4.20
	TOTAL	144,480	150,045	-3.71	408,135	410,760	-.64
Navy	CONUS	75,975	72,777	4.39	191,343	181,377	5.49
	OVERSEAS	8,218	8,602	-4.46	21,190	21,123	.32
	TOTAL	84,193	81,379	3.46	212,533	202,500	4.95
Marines	CONUS	15,694	13,596	15.43	42,151	38,872	8.44
	OVERSEAS	211	210	0.48	695	557	24.78
	TOTAL	15,905	13,806	15.20	42,846	39,429	8.67
Coast Guard	CONUS	302	263	14.83	867	724	19.75
	OVERSEAS	263	240	9.58	870	759	14.62
	TOTAL	565	503	12.33	1,737	1,483	17.13
All Commissaries	CONUS	$360,405	$367,084	-1.82	$998,273	$987,086	1.13
	OVERSEAS	$72,818	$76,549	-4.87	$206,347	$208,085	-.84
	TOTAL	$433,223	$443,633	-2.35	$1,204,620	$1,195,171	.79
Grocery Stores	U.S.[1]	$21.597	$21.177	1.98	$62.112	$59.858	3.77
Exchanges							
AAFES	CONUS	$232,130	$229,789	1.02	$627,802	$626,844	.15
	OVERSEAS	150,095	156,269	-3.95	428,409	439,007	-2.41
	TOTAL	382,225	386,058	-0.99	1,056,211	1,065,851	-.90
Navy	CONUS[2]	87,678	85,717	2.29	232,461	227,610	2.13
	OVERSEAS[2]	34,932	35,387	-1.29	98,838	97,999	.86
	TOTAL[2]	122,610	121,104	1.24	331,299	325,609	1.75
Marines	CONUS	29,538	28,447	3.84	78,313	77,303	1.31
	OVERSEAS	4,684	4,724	-0.85	13,586	13,412	1.30
	TOTAL	34,222	33,171	3.17	91,899	90,715	1.31
Coast Guard	CONUS[3]	6,607	6,177	6.96	17,916	16,735	7.06
	OVERSEAS[3]	509	765	-33.46	1,429	2,078	-31.23
	TOTAL[3]	7,116	6,942	2.51	19,345	18,813	2.83
Mail Order	CONUS[4]	1,290	1,324	-2.57	3,670	4,506	-18.55
	OVERSEAS[4]	3,812	4,022	-5.22	10,342	12,088	-14.44
	TOTAL[4]	5,102	5,346	-4.56	14,012	16,594	-15.56
All Exchanges	CONUS	$357,243	$351,454	1.65	$960,162	$952,998	.75
	OVERSEAS	$194,032	$201,167	-3.55	$552,604	$564,584	-2.12
	TOTAL	$551,275	$552,621	-0.24	$1,512,766	$1,517,582	-.32
Department Stores	U.S.[1]	$9.933	$9.218	7.76	$25.362	$23.959	5.86

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4)Include consolidated sales for all services, including Coast Guard.

Individual figures may not add up to totals because of rounding. All sales are expressed in millions (add 000), except grocery sales and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE: 1984 Army sales data for commissaries has been adjusted to reflect revised data received from the U.S. Army Troop Support Agency.